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SENSITIVE
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FOR IO, ISN, DOE FOR NA-24, NA-25, NA-21

E.O. 12958: N/A
TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)
SUBJECT: IAEA BUDGET KICK-OFF LESS CONTENTIOUS THAN
IMAGINED, BUT ISSUES LOOM

REF: UNVIE 57

¶1. (U) Summary: The IAEA opened 2010-2011 budget negotiations with an informal presentation on February 20. Most Member States expressed concern over the size of the proposed increase, but were not as aggressive as Mission had expected.

Members of the G-77 took particular issue with the proposed increases for the Nuclear Security program (NS), stating that any attempt to incorporate NS into the regular budget will bring about calls for equal treatment of the Technical Cooperation program (TC). End Summary.

¶2. (U) On February 20 the IAEA Board Chair and Secretariat provided an informal presentation of the 2010-2011 biennial budget. Deputy Director General David Waller highlighted the more important aspects of the budget, including the 11 percent increase in the so-called "operational budget" and the creation of a "major capital investment fund" (MCIF). As reiterated by Germany, the total increase to the regular budget amounted to 23 percent.

¶3. (U) Canada, Japan, Australia, Russia, and Germany were skeptical about the "unprecedented" increase. While they assured their commitment to seeing the Agency fulfill its statutory requirements, major donors called on the Agency to demonstrate efficiency gains. Additionally, donor states were disappointed that the budget showed an increase across almost all subprograms without reflecting corresponding efforts to prune programs of lower priority. Even the Philippines asked if further review of priorities would permit proposed expenditures to be pushed off past 2011. The U.S. delivered Washington-cleared talking points that expressed support for the Agency without boldly committing the U.S. to a position of support. (Note: In side conversations, the UK and Germany both intimated that they had not received instructions because their capitals were still "in shock." End Note.)

¶4. (U) The G-77 did not present a consensus position, but it was clear that individual Members would not agree to so broad an increase if it were not coupled with more regular budget funding for technical cooperation (TC). South Africa, Egypt and Cuba were particularly strong on this point. DDG Waller responded by pointing out that TC currently receives over 16 million Euros from the regular budget while NS receives only 1 million, a level that he called "pathetic."

¶5. (U) Iran criticized "disproportionate" increases for security and safeguards in the proposed budget, complaining more than once that security was overemphasized. On the

sidelines of the meeting, Iran also questioned other Members about their views on folding TC into the regular budget.

¶6. (U) A cross section of Member States agreed that the world financial crisis would significantly impact their ability to approve such a large budget increase. A need for efficiency was stressed in most statements. Additionally, some Member States expressed interest in holding the General Conference biennially as a cost-saving measure. There was also some discussion on the Amendment to Article XIV A which would biennialize the budget (septel).

¶7. (SBU) Comment: Private conversations with our allies revealed negative views of the proposed budget, but their actual interventions were not nearly as inflammatory. In part, the muted response among budget hawks can be attributed to lack of instructions from their respective capitals. It is not clear where the G-77 stands in relation to the proposed increase, though the economic crisis will impact them as well. Whatever the final G-77 position, it is apparent that any increase for NS will reinvigorate calls for regularizing TC. There is strong Geneva Group interest in developing a consensus position leaning toward zero real growth. Per reftel, UNVIE will need to be prepared to discuss the intricacies of the budget and share the official U.S. position in the coming weeks. End Comment.
SCHULTE